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**Whitesburg area agents helped client defraud insurer**  
***Lied about payroll numbers in workers' comp case***

FRANKFORT, KY (May 8, 2009) – Two Whitesburg area insurance agents were sentenced on felony charges after pleading guilty to helping a client defraud a workers' compensation insurance carrier. The case was investigated by the Kentucky Department of Insurance (DOI) Fraud Investigation Division, the United States Postal Inspection Service and the Internal Revenue Service Criminal Investigation Division.

Thomas J. Childers, 60, of Hazard, and Karen Lynetta Fox-Burns, 56, of Whitesburg, originally were indicted in May 2008 on charges of mail fraud. Childers is the owner of CS&W Insurance Services Inc. in Whitesburg and Fox-Burns is a licensed agent. Childers, Fox-Burns and a CS&W customer services representative, Shannon Ranee Hogg, a resident of Whitesburg and the daughter of Fox-Burns, each pleaded guilty to a count of misprision of a felony (includes the act of concealing a felony) in United States District Court in Lexington last week.

According to court documents, Childers, Fox-Burns and Hogg helped CS&W clients John and Tena Pennington defraud workers' compensation insurance carrier Kentucky Employers' Mutual Insurance (KEMI). The group misrepresented the number of

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employees and the amount of payroll in John Pennington's company, ZAG Resources Inc., and its connection to another Pennington company, JZ Trucking Inc. This resulted in lower workers' comp premiums for Pennington's company.

Childers, Fox-Burns and Hogg each received a two-year probation, 100 hours of community service and a fine of \$100. Childers was fined an additional \$10,000 to be paid immediately or in monthly installments of \$400.

"While we take all cases of insurance fraud very seriously, it's always a major concern when our licensees are involved. We know others in the agent community join us in our disappointment over the actions taken by these individuals," said Sharon P. Clark, DOI Commissioner.

Clark said DOI will take administrative action against Childers and Fox-Burns. Although Hogg worked at the agency, she was not a DOI licensee.

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